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ABSTRACT

The moral and ethical values enunciated by America's leading religious organizations lay much of the groundwork for its major democratic institutions and establish the benchmarks by which U.S. employment conditions and policies should be measured. The public's perception of the economy's relative well-being is based on oversimplified statistical indicators, and policymakers' and academicians' analysis of the employment situation is based on complex and not-easily-understood indicators. Both groups risk losing sight of the human dimensions of the problems of joblessness and underemployment. Labor market developments in 1986 provided only slight improvements in employment and income for American workers. Unemployment is still high, real wages have fallen, and underemployment has expanded. This labor market deterioration has led to increased poverty and a shrinking middle class. Americans are facing not only the prospect of protracted joblessness but also a deterioration of the type of jobs that are available. The proportion of jobs in the service sector is becoming increasingly unbalanced, and the highest-paid sectors of the economy are undergoing a relative contraction. The result has been a surplus of part-time jobs and lower wages. Despite increasing attention to the problems of job quality, worker dislocation, the increase in poverty-stricken families and the shrinking of the middle class, policymakers need to do far more to achieve improvement in these areas. (MN)

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A SPECIAL REPORT

ED280955

JOBS '87

THE MORAL AND ETHICAL CHALLENGE OF JOBLESSNESS AND UNDEREMPLOYMENT IN THE AMERICAN ECONOMY

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The National Committee for Full Employment (NCFE) and the Full Employment Action Council (FEAC) speak for a broad coalition of labor, religious, civil rights, women's, business and other community groups that support a national commitment to full employment. NCFE conducts research, policy development, and educational activities. FEAC organizes legislative initiatives, mobilizes political support, and stimulates debate on employment issues during election campaigns. Together, NCFE and FEAC seek to build broad public support for the proposition that this nation can and must commit its resources not just to the rhetoric of full employment but to the fact.

This report is issued by the National Committee for Full Employment and the Full Employment Action Council in conjunction with AFL-CIO Amalgamated Clothing and Textile Workers Union • American Federation of State, County, and Municipal Employees • American Jewish Congress • American Youth Work Center • Americans for Democratic Action • Center for Community Change • Children's Defense Fund • Coalition on Human Needs • Coalition of Labor Union Women • Communications Workers of America • Food and Allied Service Trades Department, AFL-CIO • Friends Committee on National Legislation • Human Environment Center • Industrial Union Department, AFL-CIO • Interfaith Action for Economic Justice • International Union of Operating Engineers • Lutheran Council U.S.A. Office of Governmental Affairs • National Congress for Community Economic Development • National Conference of Catholic Charities • National Council of La Raza • National Office for Black Catholics • National Puerto Rican Forum • National Urban League • NETWORK • Presbyterian Church U.S.A. • Rural Coalition • Union of American Hebrew Congregations • United Auto Workers • United Church of Christ, Office for Church in Society • United Food and Commercial Workers • United Methodist Church Department of Social and Economic Justice—General Board of Church and Society • United Mine Workers of America • United States Catholic Conference • United States Student Association • United Steelworkers of America • Youth Service America • YWCA of the USA, National Board • Wider Opportunities for Women • Workers Defense League, Inc.



JOBS '87:

The Moral and Ethical Challenge
of
Joblessness and Underemployment
in the
American Economy

A Special Report of

The National Committee
for full Employment

Murray H. Finley and
Coretta Scott King, Co-Chairs

Calvin H. George, Executive Director

February 12, 1987

TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
I. An Inter-faith Consensus on the Need for More Effective Employment Policy	5
Employment: A Human Right	7
The Importance of Government Response	8
The Inequity of Joblessness in America	10
II. Measuring the Economy's Response to the Full Employment Challenge	13
Unemployment and Underemployment	13
Job Creation	16
Earnings	20
Job Quality	22
Worker Dislocation	23
Family Income, Poverty and the Middle Class	24
III. The Policy Morass	26

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INTRODUCTION

The United States is one of the most economically powerful nations the world has ever seen. We have developed in a short period of time an economy that provides an unprecedented standard of living for most of our people. Unfortunately most is not all. Far too many people have been left out. Too many people have been told, in effect, "you don't count, you have no productive contribution to make". As a nation we must ask how this condition squares with the values that we profess and claim to uphold.

America's commitment to the individual implicitly recognizes the dignity of every human person. As in our civil and political decisions, each economic decision, policy, and institution must be measured against its impact on the dignity of the human person.

From our earliest documents as a nation we have recognized that human rights are the minimum conditions for life in community. These rights not only include civil and political rights (life and liberty), but also implied economic rights. All people have a right to the basic necessities of life such as food and housing.

Deeply ingrained in the American experience is the strong belief that all who are able to work are obligated to do so. This is how the basic necessities are normally distributed. This duty to work is part of what it means to be human. It is necessary for the good of the family, the community, and the nation. Because work is so important, employment must be recognized as a basic

human right. It is a right that protects everyone's freedom to participate in the economic life of the community.

We must take seriously the commitment of the Employment Act of 1946 to provide "useful employment opportunities for all those able, willing, and seeking work." Our nation, our economy is rich enough, and should be just enough, to reject as intolerable the current conditions of all too many of our farms, our towns, our industries, and our cities. Unemployment that persists despite economic growth is substantial. Since World War II, it has been drifting upward. No economy can be considered healthy when so many people are denied jobs by forces outside of their control. Our economy is now too abundant for the unemployment, poverty and deprivation still afflicting tens of millions of our people to be explained mainly by personal characteristics of the victims. While many individuals have personal problems that influence their economic condition, a far greater number suffer as a result of deficiencies in national policies and programs.

Overcoming these deficiencies will require co-operation on all levels of society: individuals and communities; labor unions and businesses; government at all levels and voluntary organizations. The federal government has a pivotal role to play. It alone represents all the people. Its policies and programs exert the single most powerful influence upon economic and social performance.

Fundamentally, the most urgent priority of our nation is to create new jobs with adequate pay and decent working conditions. We must end the human and social devastation that joblessness

brings to our nation. To protect the basic right to a decent job for all Americans, we, as a nation, must renew our commitment to full employment.

The first section of this report reviews the moral and ethical values enunciated by the nation's leading religious organizations. These values lay much of the groundwork for our major democratic institutions and establish the benchmarks by which we should measure how well they function for individuals and groups of individuals in our society. Our economy and the opportunities it offers are a product of complex and often tangled sets of public and private sector decisions, some of which appear at odds with each other. The public's perception of the economy's health or lack of it is too often based on over-simplified statistical indicators -- the unemployment rate, interest rates, the rate of inflation, the Dow Jones Stock Average. Policy makers and academics sometimes grapple with more complex and less well understood indicators of society's performance, from changes in the Gross National Product (GNP) and rates of productivity to trade balances and currency exchange rates. In each case, analysts risk losing sight of the human dimensions of the numbers and the underlying values; changes of magnitude or incidence acquire over time new thresholds of tolerance and we become numb to their impact on people.

The second section of this report examines and dissects recent trends on the statistical indicator front. What does a 7% unemployment rate for 1986 mean? How does it compare with other periods in our economic history? What kinds of new jobs is our

economy creating for new entrants to the labor force and for those who are being displaced from old line industries? How much do these jobs pay? What about people who are working part time but want full time jobs? Or those who have given up their active job search and are not included in the official unemployment rate? Is the official unemployment rate an adequate measure of how well individuals are able to function in our complex economic system?

Finally, the report identifies major gaps in our public and private sector policy responses and recommends a series of new and expanded initiatives to both strengthen basic labor market institutions and expand economic opportunities for all Americans.

I. AN INTER-FAITH CONSENSUS ON THE NEED
FOR MORE EFFECTIVE EMPLOYMENT POLICY

Proper management of our nation requires that no resource be wasted, whether that resource be land, water, timber, or other natural elements. We are stewards not only for ourselves and our own time, but also for the generations of tomorrow.

Perhaps the most tragic resource to misuse and waste, however, is our human resource -- the human mind, the human spirit, the human muscle, the ability to think, love, relate, as well as the ability to work.

Work holds within it the essence of who we are and what we can become. In large part we are identified by the work we perform, whether it be in the factory, on the assembly line, in the home or in the office. Work is an essential part of the human experience, and a precious resource for us to protect.

Recent interest in the Pastoral Letter on Catholic Social Teaching and the U.S. Economy, "Economic Justice for All," has focused considerable attention on work, and issues related to employment and unemployment. This document states that

"Basic justice demands that people be assured a minimum level of participation in the economy. It is wrong for a person or group to be excluded unfairly or to be unable to participate or contribute to the economy. For example, people who are both able and willing, but cannot get a job are deprived of the participation that is so vital to human development. For, it is through employment that most individuals and families meet their material needs, exercise their talents, and have an opportunity to contribute to the larger community." ("Economic Justice For All", page x.)

The Bishop's Pastoral Letter, realizing the reality of present day life in the U.S., laments the fact that we have a long way to go to achieve the basic justice mentioned above.

"Several areas of U.S. economic life demand specific attention. Unemployment is the most basic. Despite the large number of new jobs the U.S. economy has generated in the past decade, approximately 8 million people seeking work in the country are unable to find it, and many more are so discouraged they have stopped looking. Over the past two decades the nation has come to tolerate an increasing level of unemployment. The 6 to 7 percent rate deemed acceptable today would have been intolerable twenty years ago." ("Economic Justice For All", pages 7, 8.)

Various religious organizations, denominations and faith groups have for many years recognized the essential quality of work within our society and the moral implications of high rates of unemployment, or underemployment. They have spoken out about the injustice of a society that discards its workers with little or no thought given to the questions of stewardship involved and the waste of human resources. The critical nature of employment is reflected in a wide range of other church documents, including this Lutheran Church in America statement:

"Work, the expending of effort for productive ends, is a God-given means by which human creatures exercise dominion. Through work, persons together are enabled to perpetuate life and to enhance its quality. By work they are both privileged and obligated to reflect the Creator whose work they are." (Lutheran Church in America, "Economic Justice," adopted by the Tenth Biennial Convention, 1980.)

Employment: A Human Right

Work is seen as not only a necessity for the individual, but also as a right, to be provided in times of unemployment and underemployment by whatever means available. Both affirming and drawing on the affirmations of the state, the United Church of Christ statement entitled "The Right To Earn A Living" concludes that

WHEREAS, Our nation's affirmation of the creator-endowed inalienable rights of life, liberty, and the pursuit of happiness are virtually denied to persons excluded from gainful employment, and equality of opportunity becomes meaningless where jobs are not available, there be it

RESOLVED, That the Eleventh General Synod of the United Church of Christ reaffirm the God-given right of all persons to useful and remunerative work, together with the responsibility to provide for themselves and their dependents, and that it therefore also do the following:

1. Call on all Americans to recognize this right and this responsibility and to reflect on their meaning and implications for the future of the family, neighborhood, city, countryside and nation.

2. Call on the federal, state, and local governments together with industry, business, labor and the unemployed to formulate and implement policies and programs to achieve full employment . . . (United Church of Christ, "The Right To Earn A Living", 1977)

Many denomination and faith groups have joined the call for a fully employed society. The Catholic Bishop's Pastoral Letter on Economic Justice states: "We call for a new national commitment to full employment." (page xii.) The Unitarian Universalist Association General Assembly statement on "Poverty and Unemployment" concluded with the RESOLVE "That this Assembly endorses the principle that every person has an inherent and moral right to

work at a meaningful wage, food, clothing and shelter." (Poverty and Unemployment, 1985.)

In addition, the Executive Council of the Episcopal Church has issued the following statement on equal and full employment: "BE IT RESOLVED, That the Executive Council call upon Episcopalians throughout our nation to urge policymakers on the local and federal level to focus their efforts on the development of programs, both private and public which offer meaningful employment opportunities to all who wish and are able to work . . ."

(Social Policy of the Episcopal Church, 1977, Executive Council.) The 116th General Assembly of the Presbyterian Church, U.S. in 1976 called upon members of its denomination to "support the goal of full employment and to support passage of legislation directed toward this goal." And in 1976 the General Conference of the United Methodist Church issued a statement entitled "Unemployment" calling for ". . . governmental policies . . . that would ensure full employment in order that workers may fully participate in society with dignity, so that families may be economically secure, and so that the nation may achieve coherent high priority goals."

The Importance of Government Response

But there are many in our society who, while not questioning the need for programs designed to put people to work, fear the costs involved either through local, state or federal government programs. Currently our federal deficit inhibits serious discussion of new initiatives whether they be on the health front, the

farm crisis, or the problems of unemployment. We are reminded in the following statement, however, that we must also count the costs of continued excessive rates of unemployment and underemployment. The "Resolution of Employment Programs" adopted by the American Jewish Congress Executive Committee states that:

The social costs of mass idleness cannot be measured in economic statistics alone. They must also be measured in broken families, broken hearts, and broken hope. They are reflected in heightened community tensions. They are the source of loss of confidence in our democratic system. America cannot afford these costs.

In reference to an effective response to unemployment through governmental programs, the statement continues

Questions are being raised about the cost of these programs and its impact on inflation, recession and our tax system. These are important questions but they must not stand in the way of immediate action on the jobs front. Properly designed and implemented, jobs programs can soon start paying for themselves as they strengthen the economy and produce increased governmental revenues. ("Resolution on Employment Programs," American Jewish Congress, Executive Committee, 1982.)

Church and synagogue statements have also addressed specific facets of the unemployment crisis currently facing our nation. The plight of the worker whose job is literally "here today and gone tomorrow" through the unilateral actions of employers, large or small, is the focus of "Response to Growing Economic Dislocation" by the United Presbyterian Church U.S.A.:

The United States of America is experiencing a deepening economic crisis marked by plant closings, work force reductions, and layoffs that threaten to become permanent; whole industries are moving from one U.S. region to another and often abroad, with accompanying community disruptions. The current severe

economic dislocations are a result of the basic shift in the U.S. economy from a manufacturing, industrialized society to a system based on service industries and communication and management of capital. ("Response to Growing Economic Dislocation", 1982.)

Again, in 1983, the Presbyterian Church U.S. addressed the increasing problem of economic dislocation by encouraging "federal and state policies that support and help mitigate the effects on the unemployed by:

a. Affirming legislation on job creation, full employment, home mortgage foreclosure relief, health insurance, plant closure warning legislation . . ." ("Economic Dislocation," General Assembly, 1983.)

In a statement on "Full Employment", which endorsed the then pending Humphrey-Hawkins Equal Opportunity and Full Employment Act, the Union of American Hebrew Congregations states that "Unemployment in American life now reaches catastrophic proportions . . ." In the year this was issued, 1977, the national unemployment rate was 7.1 percent. The official rate today continues to hover around 7 percent; the catastrophe continues.

The Inequity of American Joblessness

The cruel pattern of unemployment in our society strikes some groups harder than others. Rates are disproportionately high for Hispanic workers, young people, blacks, and women who are the sole supporters of their families. The Catholic Bishop's letter proclaims: "Unemployment is a tragedy no matter whom it strikes, but the tragedy is compounded by the unequal and unfair way it is

distributed in our society." (page 8.) A statement issued by the American Baptist Churches underscores this fact.

Unemployment has not affected all segments of our society equally. It has hit the young, the minorities and blue collar workers especially hard. While many feel their hope lies in the return of a stronger economy, unemployment levels after a recession have never fallen to pre-recession levels. For many, especially older blue collar industrial workers, their jobs are lost forever as factories have either permanently closed or scaled down their work forces.

The statement continues in pointing out that in recent years federal government policies have demonstrated a continuing lack of concern for the unemployed in our society, merely exacerbating the pain caused by joblessness:

At the same time need has increased dramatically, the programs which would assist those who are hurt are being scaled back. In 1975 two-thirds of the unemployed received benefits while in 1982 only 40% did. [That figure dropped below 30% in 1986.] When unemployment benefits run out, many do not qualify for public assistance. They become eligible only when they have divested themselves of everything but a house, an old car and \$1,500 worth of possessions such as savings accounts, household furnishings and even burial plots. By the end of 1982, 10.7 million people were without health care coverage because of job loss. ("Resolution on Unemployment in the Eighties, American Baptist Churches, 1983.)

While the concern is real, many in the religious community are realizing that church and synagogue organizations need assistance from every sector of society to address the causes and alleviate the pain of unemployment. In its Book of Resolutions, the United Methodist Church encourages cooperation with "private business and labor to create the jobs needed to secure

employment for all who wish to work." The statement continues by calling upon those in its denomination to

"Encourage and support local, state, regional, and national coalitions that constructively address private and public sector policies that related to the issues of unemployment and underemployment, plant closings and economic dislocations, and other ancillary concerns."
(Book of Resolutions, United Methodist Church, 1984.)

* * * *

From a diversity of religious traditions, a clear consensus exists on the need for a full employment economy and an active government role in achieving that goal. As long ago as 1958 a pronouncement of the National Council of Churches of Christ General Board perceived the dilemma in a manner which is, unfortunately, as true today as it was 29 years ago: "The deepest tragedy of unemployment is that work ceases for millions when there is so much work to be done."

II. MEASURING THE ECONOMY'S RESPONSE TO THE FULL EMPLOYMENT CHALLENGE

Labor market developments in 1986 provided only slight improvements in employment and income for American workers. Every indicator of labor market health shows that the American worker's situation has deteriorated since 1979, the last cyclical peak and the last full non-recession year before the 1981-82 recession. Unemployment is high, real wages have fallen, and underemployment has expanded. The driving forces behind this deterioration are the rapid expansion of low wage industries in the service sector, depressed import sensitive industries and an unbalanced macro-economy. This labor market deterioration has lead to increased poverty and a shrinking middle class.

These labor market developments are most clearly seen by comparing 1986 labor market conditions to those of 1985 and 1979, as is done below for unemployment, wages and job creation.

Unemployment and Underemployment

Though slightly improved over 1985 levels, unemployment remained at the historically high level of 7.0 percent in 1986 (See Table 1). This is a level of unemployment 20 percent greater than the rate of 5.8 percent achieved in 1979, when we were at a similar point in the sustained recovery from the 1973-75 recession, as we are now in the 1983-87 economic upturn. As BLS Commissioner Norwood testified on February 6, 1986, the unemployment rate in January, 1987, 50 months into the current recovery is a full percentage point higher than that 50 months

into the recovery from the 1973-75 recession. This is especially troublesome since every major demographic trend -- less youth entering the labor force, the elimination of the male/female unemployment gap -- indicates we should have a lower rate now.

TABLE 1: The Jobs Deficit

	<u>1986</u> <u>(000)</u>	<u>1985</u> <u>(000)</u>	<u>1979</u> <u>(000)</u>
Unemployed	8,327	8,312	6,137
Discouraged Workers	1,122	1,204	771
Part-Time for <u>Economic Reasons</u>	<u>5,588</u>	<u>5,590</u>	<u>3,373</u>
Total Affected	14,947	15,106	10,208
<u>Real Rate of Jobless-</u> <u>ness and Underemploy-</u> <u>ment</u>	12.6%	12.9%	9.7%
<u>Official Unemploy-</u> <u>ment Rate</u>	7.0%	7.2%	5.8%

The official unemployment rate is an incomplete indicator of underemployment in the economy. The National Committee for Full Employment calculates a real rate of joblessness and underemployment (Table 2) by including measures of people working part-time but wanting full-time work and of those wanting work but who are too discouraged to search. This fuller measure of underemployment also fell slightly between 1985 and 1986, from 12.9 percent to 12.6 percent, but remained 30 percent higher than its 1979 level of 9.7%. In 1986 15 million Americans were unemployed or underemployed on average in each month, with over 1.1 million discouraged workers and 5.6 million stuck in part-time work.

TABLE 2: Real Rates of Joblessness and Underemployment by Population Group

	<u>1986</u>	<u>1985</u>	<u>1979</u>
Total	12.6%	12.9%	9.7%
Whites	11.1	11.2	8.7
Blacks	22.8	24.3	18.9
Hispanics	18.6	18.3	13.6
White Teens	25.3	21.6	21.3
Black Teens	52.6	48.8	47.2
Female Family Heads	18.3	--	--

The burden of unemployment is not distributed equally. The black community remains disproportionately unemployed. Since 1979, however, the groups experiencing the largest increases in joblessness have been whites and Hispanics, bringing each group closer to the disastrously high rates of joblessness in the black community, rather than ameliorating unemployment among blacks.

Another disturbing trend is the worsening underemployment of our youth, which rose nearly 4 percentage points for both black and white teens in 1986. This is despite a shrinking teenage population and a rapidly deteriorating real minimum wage.

While there is now more unemployment, there is also harsher unemployment. Duration or length of unemployment, as measured by the Bureau of Labor Statistics (BLS), was 40 percent longer in 1986 than in 1979, although slightly improved over 1985. Moreover, more than one-fourth of the unemployed were out of work at least 15 weeks and one out of seven were jobless for at least half

a year. (Table 3) There is more long-term joblessness in America today.

TABLE 3: Length of Unemployment

	<u>Mean</u>	<u>Median</u>	<u>% Unemployed More Than:</u> <u>15 Weeks</u>	<u>27 Weeks</u>
1986	15.0	6.9	27.1	14.4
1985	15.6	6.8	27.7	15.4
1979	10.8	5.4	20.2	8.7

Adding to this severity is the fact that cutbacks in unemployment compensation have left a very high percentage of the unemployed without any benefits, as studies by the congressional Joint Economic Committee have shown. In recent years, less than one-third of the unemployed have received benefits. Unemployment is severe enough in terms of stress, illness, self-doubt and deteriorated family life without adding to the financial burden by allowing unemployed workers to fall through the safety net.

Job Creation

The problems that working Americans face are not only the prospects of protracted joblessness but also a deterioration in the type of jobs which are available. This is demonstrated by the extraordinarily high numbers of people working part-time but wanting full-time work, and the fact that the majority of new jobs are low-paid.

The current Administration may boast about the millions of new jobs created since 1980 but a more careful examination

reveals laggard progress. The rate of job creation during the last six years has actually been less than during any Administration since Eisenhower, and at only 80 percent of the job creation pace under the Carter Administration. This, to be fair, can be partially explained by slower population growth. Nevertheless, the increase in labor force participation experienced in the 1980's -- the percentage of the population choosing to work -- is much slower than the increases in the 1970's. So, by any reasonable standard, the current Administration's performance is substandard. It has an inferior record both in the number and quality of jobs being created and in creating conditions that increase labor force participation rates, particularly among minority youth.

As goods-producing jobs fall and nearly all job growth is in the service producing sector job growth is becoming increasingly unbalanced. (Table 4) Examining the service sector, it can be seen that it is the lowest paying industries within the service sector that account for most of the growth. From 1979 to 1985, three-fourths of the 9.5 million jobs created in the expanding sectors were in retail trade and the service industries, the two lowest paying industries and those with the highest proportions of part-time work. In 1986, these two industry groups provided 67.1 percent of the job growth. What is occurring is the relative contraction of the highest paid sectors in the economy, both in and out of the service producing sector. Transportation, communications, utilities and government -- the highest paying service sector jobs -- are all experiencing below average growth.

TABLE 4: Job Creation/Loss by Sector*

	1979-85 Gain/Loss	1985-86	
		Gain/Loss	Share of Growth
Total Non-Agricultural	7,791	2,554	100.0%
Goods Producing	-1,531	10	0.4%
Mining	-29	-137	--
Construction	224	274	10.7%
Manufacturing	-1,726	-127	--
Service Producing	9,321	2,544	99.6%
Transportation, Communication & Utilities	106	43	1.7%
Wholesale	536	113	4.4%
Retail	2,371	616	24.1%
Finance, Insurance and Real Estate	978	351	13.7%
Services	4,862	1,099	43.0%
Government	468	323	12.6%

* Based on Total Employment data from BLS establishment surveys.

At the same time, there has been an absolute loss of nearly 2 million jobs in manufacturing and mining.

This unbalanced growth is creating a surplus of part-time work and lower wages. In 1986, approximately 5.1 percent of the labor force, numbering 5.6 million people, was trapped involuntarily in part-time work. Though somewhat smaller than the 5.2 percent share of the work force in 1985, this is a large increase over the 3.4 percent of the workforce similarly trapped in 1979 and represents virtually the same absolute number of individuals affected. This increase means that an additional 1.9 million people were working part-time involuntarily in 1986.

TABLE 5: Wages of Lost and Gained Jobs - 1979 to 1985

	<u>Usual Weekly Earnings*</u>	<u>Jobs (thousands)</u>
Average Job	\$325.85	--
Average Jobs Lost **	\$444.30	2,347
Average Jobs Gained **	\$272.39	9,187

* For Private Sector production workers in 1979, adjusted to 1985 dollars.

** Weighted average pay of the two digit industries in which jobs were lost or gained between 1979 and 1985.

The average wages of nonsupervisory workers have suffered as a result. This was demonstrated in the recent Industrial Union Department publication, The Polarization of America: The Loss of Good Jobs, Falling Incomes & Rising Inequality. The shifts in employment from 1979 to 1985 created a 3.5 percent reduction in average weekly wages, an amount equal to each worker suffering an \$11.50 weekly cut in pay or a \$600 annual loss.

The actual burden falls on those coming into the workforce who can no longer find good jobs. (Table 5) The industries in which jobs were gained paid only \$272 weekly, an amount 16 percent below the average wage and 40 percent below the weekly wages of \$444 paid in industries that are losing jobs. This means there is a 40 percent pay gap between those industries gaining and those losing jobs.

Earnings

The earnings workers received failed to improve in 1986, an astonishing fact in a recovery year, even though productivity increased by a modest 1.1 percent. (Table 6) As a result, real wages remain much lower than wages in 1979.

TABLE 6: Nonsupervisory Worker Earnings
(adjusted to \$ 1986)

	<u>Average Hourly Earnings</u>	<u>Average Weekly Earnings</u>	<u>Average Weekly Hours</u>
1986	\$8.76	\$304.85	34.8
1985	\$8.73	\$304.88	34.9
1979	\$9.31	\$332.20	35.7
	<u>Changes</u>		
85-86	0.3%	0.0%	-0.3%
79-86	-6.3%	-8.2%	-2.5%

This decline is worth reviewing in detail. As Table 6 shows, the real weekly earnings of nonsupervisory workers in 1986 was the same as in 1985. This left real weekly earnings in 1986 over 8 percent less than in 1979, a situation caused by fewer hours of work per week (2.5 percent less) and lower hourly earnings (6.3 percent). So, despite four years of recovery, American workers have not seen their wages return to pre-1981-82 levels. In fact, since real wages fell 1.4 percent in 1985 and failed to rise in 1986, we can see that the last two years of the recovery have not brought any wage improvements.

The fact that the buying power of wages did not rise in 1986 is astonishing for another reason -- our extremely low

inflation rate. Prices rose only 1.9 percent in 1986, an extraordinarily low rate created by the nearly 40-50 percent drop in energy prices last year. Prices other than energy rose 3.9 percent last year, providing even a sharper contrast to the flatness of the earning curve.

These figures complement what we know from Census Bureau compilations of workers' annual earnings up through 1985. (Table 7) Annual earnings for males, working full-time year round, has been falling since 1973. Full-time, year round women's earnings have risen in the last six years, about 3.7 percent. The annual earnings of all (male and female) full-time, full year workers was less in 1985 than in 1979. The fact that weekly earnings stagnated in 1986 leaves little hope that annual earnings in 1986 (available in August, 1987) were able to return to 1979 levels.

The current Administration sometimes takes refuge in pointing out that total compensation (wages and fringes, which includes employer contributions to Social Security and other payroll taxes) have been rising faster than wages alone, a factor caused by higher fringe benefit increases. It turns out, however, that real compensation per hour in 1986 was still below its peak level achieved in 1978 and that much of the increase is due to rising payroll taxes and not factors raising a worker's standard of living.

TABLE 7: Annual Earning Trends

	<u>Full Time/Full Year (\$ 1985)</u>			
	<u>Male</u>		<u>Female</u>	
	<u>Median</u>	<u>Mean</u>	<u>Median</u>	<u>Mean</u>
1985	\$24,195	\$27,414	\$15,624	\$17,028
1979	25,252	28,310	15,065	16,113
1973	27,085	29,308	15,339	16,128

% Changes

73-85	-10.7%	-6.5%	+1.9%	+5.6%
79-85	- 4.2	-3.2	+3.7	+5.7
73-79	- 6.7	-3.4	-1.8	-0.1

	<u>All Workers (\$ 1985)</u>			
	<u>Male</u>		<u>Female</u>	
	<u>Median</u>	<u>Mean</u>	<u>Median</u>	<u>Mean</u>
1985	\$17,779	\$21,113	\$ 9,328	\$11,109
1979	19,284	21,976	8,876	10,077
1973	20,937	22,731	7,845	9,542

% Changes

73-85	-15.1%	-7.1%	+18.9%	+16.4%
79-85	- 7.8	-3.9	+ 5.1	+10.2
73-79	- 7.9	-3.3	+13.1	+ 5.6

Source: Census Bureau P-60 Series

Job Quality

There has been much recent debate about the nature of the jobs being created. It has already been shown that a large share of jobs created (25 percent) has been part-time jobs; jobs that have been filled by people wanting full-time work. These new jobs have also been created in the lowest paid industries. Studies have shown, however, that some new jobs are in higher-paying occupations. Nevertheless, the combined result of all of these factors is that the majority of new jobs are low paid. A recent

JEC study by economists Barry Bluestone and Ben Harrison further illustrates this point.

TABLE 8: Quality of New Jobs

<u>Pay Level</u>	<u>Share of Wage and Salary Jobs</u>		<u>Share of Job Growth, 1979-1984</u>
	<u>1979</u>	<u>1984</u>	
High	16.5%	14.9%	-5.5%
Middle	53.1	52.7	47.5
Low	30.4	32.4	58.0

The above computations show that the percentage of middle income jobs has fallen since 1973 as the share of lower paying jobs has risen. From 1979 to 1984, the majority of new jobs have been low paying jobs, accounting for 58 percent of the new full-time wage and salary jobs created during this period. With job growth again centered in low wage industries in 1986, and with real wages stagnant, it is overwhelmingly clear that this situation did not improve last year.

Worker Dislocation

Increasing attention is being paid to the problem of worker dislocation, -- workers, who because of plant closings or permanent lay-offs, lose their jobs. Worker dislocation is organically linked to the other problems which have been reviewed. Displaced workers comprise one-fourth to one-third of all adult unemployment. Moreover, it is the exceedingly high rate of job loss which has created our higher levels of unemployment now versus the 1970's. Increased "job loser" unemployment (as opposed to

unemployment from new entrants or workers quitting jobs or reentering the workforce) accounts for two-thirds of the rise in unemployment from 1979 to 1985.

High levels of dislocation are the result of the large decline in goods production and manufacturing jobs, including many jobs eliminated by plant closings. This dislocation creates long term joblessness. Nearly half of dislocated workers experience more than 6 months of joblessness. When those who have lost their jobs eventually find work, it is almost always at lower pay. On average, workers suffer a 15 percent reduction in weekly pay. Dislocated workers who are forced to find work in new occupations or industries, take new jobs at wages 25-30 percent below their previous earnings.

Family Incomes, Poverty and the Middle Class

The fundamental concern of government economic policy should be what is happening to the standard of living of all Americans. The primary determinant of most people's income is what they earn from the jobs they have. This includes having access to year-round jobs; that is, avoiding unemployment and earning a decent wage on the job. With higher unemployment and lower wages it is clear that most people are experiencing problems obtaining adequate incomes. The reduction of government support to low income Americans exacerbates the problem for those at the bottom of the economic ladder.

The problem of obtaining an adequate income is demonstrated in the deterioration of family income, which fell 4 percent from

1979 to 1985 despite the fact that more people were working in the average family. At the same time, the percentage of people with income below the poverty level rose from 11.7 percent in 1979 to 14.0 percent in 1985, a rise of 20 percent. Over 33 million Americans were living in families that had poverty incomes in 1985. Again, sustained high unemployment and wage trends suggest there was probably little improvement in 1986.

Another dimension of the problem is the shrinking middle class, a sign that far fewer Americans are able to sustain a mid-level income despite working harder. This shrinkage has been identified in numerous studies. Census statistics show that there were nearly 4 percent fewer families with \$15,000 to \$50,000 incomes in 1985 than in 1979. This shrinkage of the middle class meant there was 2.4 million less middle class families in 1985 or 7.7 million individuals.

These problems demand attention.

III. THE POLICY MORASS

Economic growth in itself, especially at the levels of recent years, has been insufficient to either bring down the overall unemployment rate or reduce the enormous inequities that fall disproportionately on minorities, blue collar workers in changing industries, youth, women (especially single heads of households), and others isolated in our inner cities and depressed farm communities. Rapid technological change, declines in competitiveness on world markets and in our own domestic market, and an over-reliance on monetary policy to manage the economy coupled with a broad retreat from investments in human resource development and basic research, are all contributing to the inadequacy of employment and earning opportunities described in this report. High levels of joblessness and underemployment are no longer confined to low points in the business cycle.

Rather, the nature of unemployment, economic recovery and stable (though slow) growth no longer means factories adding back the second and third shifts or farmers making new investments in equipment and machinery. As the problems change, so must our solutions. Retreat from social and economic development programs and policies are no solution at all.

The federal government began its assault on joblessness during the Great Depression of the 1930's with the creation of various labor market institutions like the Employment Service and protections for workers with the unemployment insurance system and the minimum wage. Concern for making the transition to a peace-

time economy immediately after World War II brought the Employment Act of 1946 and the first stabs at coordinating economic policy and planning through the creation of the Congressional Joint Economic Committee and the President's Council of Economic Advisors.

The Civil Rights movement took off in the mid-50's and led in the 1960's to the nation's reaffirmation of equal justice for all and rejection of "poverty in the midst of affluence." As labor market institutions and social programs were again expanded in the 1960's it became clear that these interventions had to also be coordinated with the government's overall economic policy.

The Full Employment and Balanced Growth Act of 1978 (a.k.a. Humphrey-Hawkins) amended and strengthened the 1946 Act by setting quantitative goals and providing a framework for removing disparities in unemployment rates among minorities, youth, women and others and the overall labor force. This Act also had sections dealing with reordering national priorities, controlling inflation, and bringing the Federal Reserve Board into the economic decision-making and goal-setting process.

As Congressman Augustus Hawkins (one of the chief authors of the 1978 Act) has concluded recently, however, "Economic policy making is in a shambles Two administrations (Democratic and Republican) have merely made forecasts of what may happen to the GNP, unemployment and economic growth rates, and other economic indicators. Since passage of the act, we have yet to see an economic report from the president, a Federal Reserve Board report, or a Joint Economic Committee report that constructs the

actual programmatic means for achieving 4% unemployment." This course of events must be changed. Much of the energy for the newly emerging "American Competitiveness" theme comes from people's concern with the need for increased job opportunities, income security and real improvement in their standard of living, and their aspirations to qualify for the jobs of the future. This theme, however, can be hollow and short lived if it does not lead to bold and decisive action that people can see in their everyday lives. The Humphrey-Hawkins mandate for reordering national priorities should lead to a careful cost-benefit analysis of current spending and a resolve to eliminate the unnecessary and wasteful costs of excessive joblessness and underemployment and the long term burdens associated with massive trade deficits and dependency on government transfer payments by those able and willing to work. On this front, the Congressional Budget Office's most recent estimates are that for one percentage point of excess unemployment, the federal treasury loses \$44 billion in lost revenue and expenditures for unemployment compensation, food stamps and other transfer payments.

A new agenda for the nation is in order. We would call it, if you will, a Quality of Work Life Agenda or a Jobs 2000 Agenda that combines a range of approaches and creates a unified vision for high quality job growth, worker adjustment and investment in human resources. The National Committee for Full Employment in consultation with its member organizations and several economists is currently at work on developing such an agenda, which will be completed later this Spring.

In the interim, there are several areas in which we believe that this session of the 100th Congress can take action. The highest items on this agenda include:

- o creation of a nationwide worker readjustment and retraining system, including mandatory pre-notification of plant closings and permanent lay-offs, just compensation, and transition assistance;
- o an increased minimum wage indexed to inflation and bringing workers and their families above the poverty level; and
- o creation of a humane and effective welfare-to-work transition program that builds on the positive elements of the WIN program and provides incentives and leadership through the federal-state-local JTPA system (in partnership with the private sector) to assist welfare recipients achieve economic self-sufficiency
- o expanded investments in our nation's young people (particularly minorities who will make up one-third of our entry level work force by the 1990's), with summer jobs programs linked to year round remediation and drop-out prevention efforts.

Readers of this report are encouraged to communicate their views on these and related matters to their elected representatives.